

**NORTH CAROLINA GENERAL ASSEMBLY  
LEGISLATIVE ACTUARIAL NOTE  
RETIREMENT**

**BILL NUMBER:** Senate Bill 1238 (Revised)

**SHORT TITLE:** Withdrawn Retirement Service

**SPONSOR(S):** Senators Dalton, Gulley & Harris

**SYSTEM OR PROGRAM AFFECTED:** Local Governmental Employees' Retirement System and Teachers' & State Employees' Retirement System

**FUNDS AFFECTED:** Local Funds

**BILL SUMMARY:** The bill allows any member of the Local Governmental Employees' Retirement System with five or more years of service to purchase the withdrawn service by paying the amount withdrawn plus 6 1/2% interest compounded annually from year of withdrawal to year of repayment. The bill allows the purchase by repealing the existing law, which allows members to purchase withdrawn service after they have returned and worked for 10 years. It also repeals the requirement that the purchase of withdrawn service must be made within three years and repeals the "full cost" method of calculating withdrawn service for member who withdrew after July 1, 1975, and repeals the provision for the "full actuarial cost" for members beyond the three year window and those with more than five years and less than ten years. The bill makes some technical clarifying changes to the Teachers' & State Employees' Retirement System but no cost to these changes.

**EFFECTIVE DATE:** January 1, 2003

**ESTIMATED IMPACT ON LOCAL GOVERNMENTS:** Buck Consultants estimates the annual cost to be \$9 million based on an estimated 900 members making the purchase. They also estimate the cost will be approximately \$10 million per year for every additional 1,000 members who purchase service. These cost estimates are based on experience of Teachers' and State Employees' Retirement System since similar legislation was enacted during the 2001 Session.

Hartman & Associates estimates the annual cost to be \$8.9 million based on experience of Teachers' and State Employees' Retirement System since similar legislation was enacted during the 2001 Session.

**There are actuarial gains within the System to fund this increase.**

**ASSUMPTIONS AND METHODOLOGY:**

Local Governmental Employees' Retirement System

The cost estimates of the System's Actuary are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 2000, actuarial valuation of the fund. The data included 116,240 active members with an annual payroll of \$3.34 billion and 30,061 retired members in receipt of annual pensions totaling \$356.8 million. Significant actuarial assumptions used include (a) an investment return rate of 7.25%, (b) salary increase rate of 6.25%, (c) the 1979 George B. Buck Mortality Tables for deaths in service and after retirement, and (d) rates of separation from active service based on System experience. The actuarial cost method used was the projected benefit method with aggregate level normal cost and frozen accrued liability. Detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from Stanley Moore.

**SOURCES OF DATA:** System Actuary - Buck Consultant, Inc.  
General Assembly Actuary - Hartman & Associates, LLC

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**DATE:** June 28, 2002



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